



**UNITED NATIONS DEVELOPMENT GROUP
IRAQ TRUST FUND**

Project Cover Page

Participating UN Organisation(s): UN-HABITAT (Lead), UNDP	Sector Outcome Team(s): HOUSING & SHELTER
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Project Title: Strengthening the Capacity of the Housing Sector in Iraq: Bridging for Phase III	Project Number: E4-20

Project Description (limit 1,000 characters):



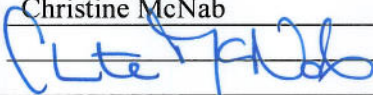
The proposed USD \$1,500,000 Bridge Funding project for the *Strengthening the Capacity of the Housing Sector* is intended to better prepare and equip the Government of Iraq and its Ministry of Construction and Housing to meet the increasing needs of the Iraqi housing sector. It builds on previous phases of the *Strengthening the Capacity of the Housing Sector* program, where a systematic survey and analysis of Iraq's urban housing market in Phase I led to a National Housing Policy in Phase II designed to address Iraq's critical housing needs. The policy shifts the Government's emphasis from direct provision of housing to enabling private sector delivery, through creating a conducive legislative and regulatory environment, in line with global good practice. A third phase is planned, and aims to support the Government of Iraq in implementing the Policy through providing technical support in key institutional and regulatory reform processes and in technical actions. The proposed Bridge Funding project will consolidate Phase II and lay foundations for Phase III by putting in place necessary actions to initialize the reform of key institutions that underpin the reform of the sector.

Project Costs:		Project Location:	
UNDG ITF:	\$750,000	Governorate(s):	Baghdad and KRG
Govt. Contribution:		District(s):	
Agency Core:		Town(s)	
Other:	\$750,000		
TOTAL:	\$1,500,000		

Govt of Iraq Line Ministry Responsible:GoI MoCH
MoCH KRG**Project Duration:**Total # of months: 15
Expected Start date: 01 July 2010
Expected End date: 31 October 2011**Review & Approval Dates**

Line Ministry Endorsement Date:	09 May 2010
Concept Note Approval Date:	13 June 2010
SOT Approval Date:	26 May 2010
Peer Group Review Date:	14 June 2010
ISRB Approval Date:	22 June 2010
Steering Committee Approval Date:	27 June 2010

Signatures of Agencies and Steering Committee Chair

I.	Name of Representative	Doudou Mbye
	Signature	
	Name of Agency	UN-HABITAT
	Date	27 June 2010
II.	Name of Representative	Paolo Lembo
	Signature	
	Name of Agency	UNDP
	Date	27 June 2010
III.	Name of Steering Committee Chair	Christine McNab
	Signature	
	Date	27/06/2010

National priority or goals (NDS 2007- 2010 and ICI):

NDS: Goal 7: Decent Housing for All

ICI Benchmarks (as per the Joint Monitoring Matrix 2008):

4.4.1.5.2: Delivering Basic Services: Improve access to housing by 15%

Sector Team Outcome(s):

Improved Housing Delivery System

Joint Program/Project Outcome(s):

Improving the capacity of key institutions in the housing sector to address housing needs in Iraq

**Detailed Breakdown of Budget by Source of Funds and
Distribution of Program Budget by Participating UN Organisation**

Participating UN Organisation	Portion from ITF Budget (US \$)
UN-HABITAT	\$465,000
UNDP	\$285,000
Total Budget (US \$)	\$750,000

Total budget (in US \$):	\$1,500,000
Sources:	
• Government	\$
• ITF (earmarked)	\$ _____
• ITF (unearmarked)	\$750,000
<u>UN Core/non-core sources</u>	
• UN Org (specify:)	\$ _____
• UN Org (specify:)	\$ _____
• UN Org (specify:)	\$ _____
• UN Org(specify:)	\$ _____
• Other	\$750,000

1. Executive Summary

The proposed USD \$1,500,000 Bridge Funding project for the *Strengthening the Capacity of the Housing Sector* is intended to better prepare and equip the GoI and its Ministry of Construction and Housing to meet the increasing volume and complexity of needs in Iraq's housing sector.

The need to improve the housing sector features prominently in the GoI National Development Plan (2010-2014)¹ and in the GoI Draft Poverty Reduction Strategy (2009)². UN through ITF funds has been able to support the housing sector in identifying causal issues and necessary actions to reform the sector. Through UN-HABITAT's global mandate and experience in addressing housing rights, linked with wider processes of public sector modernization and private sector development in Iraq, supported by UNDP and others, UN-HABITAT and UNDP are well placed to assist the GoI in addressing its housing crisis, and have been doing so under the auspices of the *Strengthening the Capacity of the Housing Sector* and related Programs. *Strengthening the Capacity of the Housing Sector* has completed its first phase, and has almost fully completed its second. The proposed bridging project will set the stage for a successful and efficient Phase III.

In *Strengthening the Capacity of the Housing Sector Phase I*, UN-HABITAT supported the GOI in undertaking a systematic survey and analysis of Iraq's urban housing market. *Strengthening the Capacity of the Housing Sector Phase II* supported MoCH in interpreting the analysis prepared in Phase I into a pro-poor National Housing Policy. This shifts the Government's emphasis from direct provision of housing to enabling private sector delivery through creating a conducive legislative and regulatory environment, in line with global good practice. Through creating an enabling environment for private sector engagement in housing production, and the participation of local civil society in planning, it is expected that the Policy, when implemented, will vastly increase the supply of housing, particularly to the poor, and have a significant economic multiplier effect. Phase II is 92% complete; a Lessons Learned Workshop with key institutional, private sector and civil society counterparts is scheduled for 3rd quarter 2010, and will contribute to the design of Phase III of the program. In this phase, it is anticipated that the GoI will undertake institutional and regulatory reforms and technical actions in key focal areas, as necessary to initiate policy implementation, and thus begin to address the scale of Iraq's housing needs, with the technical assistance of UN-HABITAT and UNDP. The proposed Bridge Funding project will build on the momentum established in previous phases. It will consolidate Phase II and will lay foundations for Phase III by putting in place necessary actions to initiate the reform of key institutions that underpin the reform of the sector. During project period UN-HABITAT and UNDP will mobilize additional resources to support the longer-term Phase III program.

Consolidating Phase II:

1. Undertaking an independent, multi-stakeholder evaluation of the Phase II project and updating the Housing Market Study to reflect the current situation; and
2. Seeking to regionalize the GoI National Housing Policy for the KRG, taking into account specific regional criteria.

Laying foundations for Phase III:

¹ GoI National Development Plan (2010-2014) Sectoral Strategies for Housing, Water, Sanitation and other Municipal Services (2009)

² Ministry of Planning and Development Cooperation High Committee for Poverty Reduction Strategy (Oct 2009) "A Strategy for Poverty Reduction in Iraq"

1. Clarifying roles and responsibilities of MoCH and institutions related to housing supply in the light of institutional requirements for implementing the Policy; and
2. Scoping out the potential to establish a commercial housing finance market in Iraq, in line with wider reforms of the Banking Sector.

The proposed activities will contribute to opening up a level playing field for private, commercial developers to address the majority of housing needs, and to focus direct government housing interventions towards the needs of poorer and more vulnerable sectors that may not be adequately served through the private sector. They will also pave the way for the establishment of commercial housing finance markets that exist in most developing and developed economies worldwide. In sum, the proposed Bridging Phase seeks to consolidate the successes of Phase II into a set of recommendations that help the MoCH and its relevant partners better realign to Iraqi housing needs.

Under the oversight of the National Habitat Committee, UN-HABITAT and UNDP with its national and international experts, will work together to ensure full coordination and integration of activities, and interaction with key housing sector institutions: Ministry of Construction and Housing, Ministry of Planning and Development Cooperation, Ministry of Finance and Ministry of Municipalities and Public Works.

MDG(s) being addressed:	Goal 7, Target 7a: Integrate the principles of sustainable development into country policies and programs and reverse the loss of environmental resources; Target 7d: By 2020, to have achieved a significant improvement in the lives of at least 100 million slum dwellers.
NDS Goal(s) being addressed:	Goal 7: Decent Housing for All
ICI Benchmarks/Indicators:	4.4.1.5.2: Delivering Basic Services: Improve access to housing by 15%

2. Situation Analysis

Housing forms an indispensable part of ensuring human dignity. "Adequate housing" encompasses more than just the four walls of a room and a roof over one's head. Housing is essential for normal healthy living. It fulfills deep-seated psychological needs for privacy and personal space; physical needs for security and protection from inclement weather; and social needs for basic gathering points where important relationships are forged and nurtured. In some Iraqi societies, a house also serves an important function as an economic center where essential commercial activities are performed. A well functioning housing market has significant economic multiplier effects. In some countries the housing market, which includes real estate development, construction, industrial production and housing finance is a major contributor to GDP.

The right to adequate housing is founded and recognized under international law. Enunciated under article 25(1) of the Universal Declaration of Human Rights, the right to adequate housing has been codified in other major international human rights treaties. Article 11(1) of the International Covenant on Economic, Social and Cultural Rights (ICESCR) provides that "States Parties to the present Covenant recognize the right of everyone to an adequate standard of living for himself and his family, including adequate... housing, and to the continuous improvement of living conditions."

Population growth, overcrowding, the existence of slum housing and ongoing issues of internally displaced persons (IDPs) all contribute to poor housing conditions and a growing housing demand in Iraq. More than two-thirds of Iraqis (71%) live in urban areas.³ 13% of houses in urban Iraq have more than ten occupants⁴ and 37% have three or more people per room. According to UN-HABITAT's definition, 57% of the urban population currently lives in slum-like conditions.⁵

Iraq's population almost tripled between 1970 and 2007. By 2030, it will grow to almost 50 million.⁶ As a consequence of a population with a high percentage of youth and high fertility rates, current levels of overcrowding will only increase as Iraq's population expands. It is estimated that between 2006 and 2015, Iraq will require 2 million housing units, but has only the capacity to deliver a fraction of this demand.⁷

Key causal factors contributing to Iraq's poorly functioning housing market include:

1. Centralized systems of land allocation and housing delivery that are unable to appreciate and respond to local needs;
- 2 Undercapitalized construction sector, with limited private sector investment in housing production and housing finance due to incomplete legal and regulatory systems.

These factors impact significantly on middle and lower income groups; particularly households where there are no earners in government jobs.

Through the Strengthening the Capacity of the Housing Sector Program UN-HABITAT has supported the GoI in identifying and addressing key bottlenecks in housing delivery. Phase I, supported the GOI in undertaking a systematic survey and analysis of Iraq's urban housing market and established a Training and Knowledge Centre within the MoCH, mandated to enhance the knowledge of housing related institutions on improved housing delivery practices. Phase II supported MoCH and other institutions linked to the housing sector in interpreting the analysis prepared in Phase I into a pro-poor National Housing Policy. This shifts the Government's emphasis from direct provision of housing to enabling private sector delivery through creating a conducive legislative and regulatory environment, in line with global good practice. It addresses the causal issues under the themes of land, housing finance, housing production, building materials, infrastructure, housing maintenance and informal settlements. Through creating an enabling environment for private sector engagement in housing production, and the participation of local civil society in planning, it is expected that the Policy, when implemented, will vastly increase the supply of housing, particularly to the poor, and have a significant economic multiplier effect. Phase II also established a Housing Observatory within MoCH, three sub-national housing strategies, a Reform Plan for Housing Institutions and a draft Housing Law. A Lessons Learned Workshop with key institutional, private sector and civil society counterparts is scheduled for the third quarter of 2010, and will contribute to the design of Phase III of the program. In this phase, it is anticipated that the

³ GoI National Development Plan (2010-2014) Sectoral Strategies for Housing, Water, Sanitation and other Municipal Services(2009

⁴ GoI Ministry of Municipalities and Public Works, UN HABITAT (2007), "The State of Iraq Cities Report 2006/2007: Cities in Transition", pp. 48

⁵ IHSES 2007: The UNHABITAT definition of a slum has been adapted to fit available data from the IHSES. For this analysis, a slum was defined as housing that meets one or more of the following conditions: 1) house walls are made of reed or non-stable materials or windows are made of non-stable materials 2) more than 3 persons per room (room includes bedrooms, living rooms, dining rooms, guest rooms) 3) subjective evaluation of the head of the household saying they do not have a sufficient water supply 4) 1 toilet per 10 or more persons 5) tenancy of the house is not owned, nor rented, not provided by an employer or household has no agreement with the owner.

⁶ UN Population Division 2008

⁷ GoI National Development Plan (2010-2014) Sectoral Strategies for Housing, Water, Sanitation and other Municipal Services(2009

GoI will put into action the Policy by undertaking institutional and regulatory reforms and technical actions in key focal areas, in line with the Policy Implementation Plan, with the technical assistance of UN-HABITAT and UNDP. In other words, GoI will put the theory into practice in order to deal with the scale of Iraq's housing needs. This Phase is likely to take some time, and will address complex issues of land for housing, housing finance, pro-poor housing approaches, slum upgrading, housing production through the private sector and infrastructure development in accordance with the National Housing Policy. UN-HABITAT and UNDP intend to provide technical assistance where required and are committed to supporting the GoI in addressing Iraq's critical housing needs in the continuation of *Strengthening the Capacity of the Housing Sector in Iraq* programme into its third phase. The proposed Bridge Funding project builds on the momentum gained in the completion of Phase II and allows the continuation of support to the housing sector while more substantial funding is being mobilized to support a longer-term Phase III. Accordingly, the project will consolidate Phase II and lay foundations for Phase III by putting in place necessary actions to initialize the reform of key institutions that underpin the reform of the sector.

This bridging project will consolidate the Phase II project by undertaking an independent, multi-stakeholder evaluation of the Phase II project and update the Iraq Housing Market Study (2006) to better reflect current needs. These activities will contribute to a solid evidence base for planning and implementing Phase III. The National Housing Policy is designed to address common issues occurring nationally, and will be adapted in time to suit locally specific criteria. This project will begin this process by seeking to regionalize the National Housing Policy for KRG, taking into account specific criteria, such as the KRG investment law, KRG Housing Fund and a generally more rural focus.

The project will lay foundations for Phase III and begin to address Causal Issue 1 by:

(a) clarifying roles and responsibilities of MoCH and institutions related to housing supply in the light of institutional requirements for implementing the Policy;

and Causal Issue 2 by:

(b) scoping out the potential to establish a commercial housing finance market in Iraq, in line with wider reforms of the Banking Sector.

Together these outputs will lay the ground for the implementation of Phase III.

While implementing the bridging project, UN-HABITAT and UNDP will continue to forge strategic links with the World Bank and IMF program for reform of the Banking Sector, and IFC in relation to land and housing finance, and will ensure coordination and compliance with the Public Sector Modernization and Private Sector Development processes, supported by the UN Country team. UN-HABITAT and UNDP will also continue to work towards mobilizing resources from government and bilateral agencies for implementing Phase III.

The approach adopted by the GoI to improving housing delivery, as stipulated in the National Housing Policy aligns with global best practices in housing delivery, arising from Habitat II conference in Istanbul 1996, and captured in the Habitat Agenda⁸. The Habitat Agenda represents a paradigm shift where minimum direct intervention in housing delivery is required of government, other than in relevant cases to assist the most vulnerable, but instead, the key role of government is in establishing and regulating an enabling environment for housing delivery through private sector, civil society and self-help practices.

3. Lessons Learned, NDS and ICI Relevance, Cross-Cutting Issues, and Agency Experience in Iraq in the Sector

⁸ The Habitat Agenda is the main political document that came out to the Habitat II conference in Istanbul in 1996. Adopted by 171 countries, it contains over 100 commitments and 600 recommendations on human settlements issues

Global and National Targets addressed

MDG 7, Target 7a: aims to “integrate the principles of sustainable development into country policies and programs and reverse the loss of environmental resources.” This project clarifies the roles of the housing institutions, so that they can be better structured to support sustainable approaches to housing delivery stipulated in the National Housing Policy

Target 7d: aims “by 2020, to have achieved a significant improvement in the lives of at least 100 million slum dwellers.” This project contributes to this goal by laying foundations for Phase III, where the State Commission for Housing will gain improved capacity to support local initiatives in slum upgrading and address the housing needs of the poor.

ICI 4.4.1 aims to “improve access to housing by 15%” and NDS 2007-2010 p81 states: “Iraq is facing a serious housing shortage which, unless addressed as a matter of urgency, could have a severe negative impact on the overall quality of life and urban development. A consensus has emerged that the solution to Iraq’s housing shortage lies in a market-driven system founded on a strong housing finance system which can scale-up housing loans for moderate and low-income families.” A market driven housing delivery system relies on a well functioning housing finance system. The project supports this national priority by scoping the potential of commercial banks to engage in housing finance. By also reviewing roles and responsibilities of housing related institutions, this project paves the way for the institutional and regulatory reforms that will be needed to support a market driven housing delivery system.

Lessons Learned

Through the first and second phase of the program, the following lessons have been drawn:

1. The approach of using international and national experts, including consultancy companies, to work alongside technical working groups worked well in the establishment of the National Housing Policy; this model should be replicated.
2. The allocation of time of a significant number of senior technocrats to the Phase II project indicated the MoCH and related ministries’ commitment to the process of housing sector reform, and allowed significant debate and a wide range of inputs in the development of the policy. Significant input of Iraqi counterparts, and thorough review processes enabled the policy to reflect accurately the Iraq context, and to develop strategies that can be realistically implemented. It is therefore important that MoCH continues to lead the process of housing sector reform, and for the planning of reform processes to be thoroughly participatory, involving a wide range of stakeholders.
3. There was limited representation of private sector and civil society in the processes leading to the development of the National Housing Policy. During the review of Phase II under this project, it will be important to include representation of these actors in order to better design phase III, then to continue their engagement in working groups that will be established within this project.

Cross Cutting Issues

- Human Rights: According to the Universal Declaration of Human Rights (1949) 25.1, all Iraqis have a right to an adequate standard of living, and it is the duty of the GoI to ensure that this right is being met. Lower income households and in particular vulnerable female headed households are more likely to suffer from inadequate housing. However it is a misconception for government to assume the role of being a provider of housing. Housing reform in Iraq requires the government to

act to ensure an enabling environment to support the development of a market system for housing, where the private sector is the main provider, and to ensure that the housing market can cater for the needs of mid and low-income households. The Government should intervene more directly for poor and vulnerable groups not catered for by the housing market system. The review of the functions of key housing institutions under this project, will lead to the State Commission for Housing within MoCH becoming a specialist agency for providing for these groups, while MoCH will increase its capacity to support the development of an enabling environment for private sector housing delivery.

- **Gender Equality:** Tenure security issues affect women in Iraq as a result of inheritance practices and due to titles in a spousal relationship usually being held by the man. Lack of tenure security can leave people vulnerable to being excluded from civil processes, being able to access finance through lack of collateral and in some cases results in social exclusion. It is critical that housing reform process and other processes addressing land management begin to address such issues.
- **Environment:** One of the principles of the housing sector reform is the promulgation of environmentally appropriate construction practices; this will be taken forward in Phase III for which this project is a preparatory phase.
- **Employment Generation:** It is widely recognised that a well functioning market is an employment generator. This project in contributing to housing sector reform, which provides a level playing field for private sector engagement in housing production, will propagate the employment generation potential associated with a well functioning housing market.

Agency Experience in Iraq/in the Sector:

UN-HABITAT: UN-HABITAT's core mandate addresses the right to adequate housing for all. As such it has developed globally accepted guidelines in housing policy approaches, and has assisted numerous governments world-wide in addressing housing needs, taking a predominant decentralised, bottom-up approach. UN-HABITAT has had a presence in Iraq for 13 years, and has shifted its approach from projects related to building houses and improving neighbourhoods, targeting poorer sectors of society (under the Oil for Food program) to supporting national and sub national Government in analysing housing delivery systems and developing approaches to address housing needs. Strengthening the Capacity of the Housing Sector program has been described in this document, and alongside this program, UN-HABITAT with UNDP is piloting innovative strategies to improve local housing delivery systems. Complementing UN-HABITAT's expertise in the housing sector are its capabilities in urban governance, decentralisation and urban infrastructure development.

UNDP: With its global experience backed by a broad development mandate, UNDP has the comparative advantage and expertise in comprehensively supporting sector reforms and planning. In Iraq, UNDP has built concrete experience with relevance to this bridging project in sector reform initiatives, national and area based planning, decentralized governance and service delivery in support of Iraq's inclusive and sustainable recovery and development. UNDP Iraq's housing sector experience is currently being built through the project jointly implemented with UN-HABITAT mentioned in this document. The sector amalgamates a variety of other sectors in which roles are played by both the public and private – environment, employment, banking and finance, infrastructure, to name only a few. Linking the establishment of an enabling regulatory public sector environment with the enhancement of the private sector economy, UNDP currently leads on the multi-agency Private Sector Development Programme as well as the Iraq Public Sector Modernization Programme. These initiatives will underpin the comprehensive and successful housing sector reform complementing UN-HABITAT's core housing expertise.

4. The Proposed Project

This project seeks to build on the momentum achieved in the housing sector through the first two phases of the programme. As a bridging project, this project seeks to first consolidate Phase II and lay foundations for implementing Phase III. In consolidating Phase II, the project will evaluate the Phase II project, and update the Housing Market Study in close collaboration with national counterparts, in order to contribute to a solid evidence base upon which to plan and implement reforms in the sector. It will also regionalize the housing policy to suit specific criteria for KRG, particularly in the light of the recent KRG investment law, which has the potential to attract significant housing investment, and the newly established KRG Housing Fund, which has the potential to support housing delivery for the poorer families. In laying foundations for Phase III, the project will review roles and functions of housing related institutions in the light of requirements of the National Housing Policy which suggests modified roles. This will pave the way for institutional and regulatory reforms in Phase III, as necessary to enable a scaled up market-driven housing delivery approach, able to appreciate and respond to local needs. It will also scope the potential for financial institutions to engage in housing finance, a key ingredient to a well functioning housing market, which given a positive outcome can be realized in Phase III.

In line with Phases I and II, the National Habitat Committee (NHC) will continue to act as a project steering committee, and based on lessons learnt in Phase II, would be encouraged to add to its membership civil society and private sector representatives.

Project outputs:

Output 1: MoCH, National Human Settlements Committee⁹ (NHC), and other stakeholders have evidence base for improved planning and implementation of institutional and regulatory reforms within the housing sector

- 1.1 Independent evaluation of *Strengthening the Capacity of the Housing Sector in Iraq* Phase II project is undertaken.
- 1.2 Iraq Housing Market Study originally prepared in 2006 updated to reflect current housing situation.

UN-HABITAT will recruit an independent consultancy to undertake the evaluation in consultation with the NHC, members of inter-ministerial working groups that contributed to the Policy preparation, MoCH, representatives of private sector and civil society. UN-HABITAT, will consult closely with GoI counterparts at central and sub-national levels to establish the parameters and methodology for undertaking the update of the Housing Market Study. Recognizing the limited operational environment

⁹ The Iraq National Housing and Settlements Committee was established in 1978. It is headed by the Deputy Minister of Construction & Housing and comprises of 1. Deputy/ MoPDC; 2. Ambassador/ Head of Engineering Dept./Ministry of Foreign Affairs; 3. Deputy/ MMPW; 4. Director General/ Design Department/ Amanat Baghdad; 5. Committee Secretary. It is tasked to identify key issues and priority actions related to implementing the Habitat Agenda in Iraq through the following functions:

- Advisory – provide advice to government institutions on policies and strategies related to the implementation of issues related to sustainable human settlements planning, management and development, and provide a forum for consultative deliberations.
- Advocacy and disseminating knowledge - across stakeholder groups for adoption of good practices relating to shelter (housing, housing finance, and slum upgrading), basic urban services, urban governance and development, and reconstruction, including capacity building, institutional and legal frameworks, knowledge management and best practices.
- Follow-up policies and strategies in the housing and urban development sectors.
- Reporting by requesting concerned Iraqi Institutes to provide progress reports on the implementation of Habitat Agenda to be submitted to the concerned International Organizations.

(2006) leading to certain shortcomings of the original study, the updated study will take into account lessons learnt, review data that has become available through various surveys that have taken place since the initial study, and undertake primary research where gaps are identified. The document will also review environmental impacts of current housing practices.

Output 2: KRG is supported to adapt the National Housing Policy to address regionally specific criteria

2.1 An analysis prepared of key factors specific to KRG that warrant an addendum to the National Housing Policy

2.2 Regionally specific addendum to the National Housing Policy prepared

In line with the approach adopted for the preparation of the National Housing Policy, UN-HABITAT will support the creation of a KRG Housing Committee comprising of senior officials of KRG – MOCH, MOP, MOMT, MoF and Board of Investment as well and representatives of the Private Sector and Civil Society. This committee will ensure the participation of all relevant decision makers and technocrats in the delivery of this output. UN-HABITAT will engage a specialist consultancy including national and international experts with proven experience in Iraq to support the establishment of thematic working groups that will include delegates from the above named institutions, private sector and civil society to review the National Housing Policy in the light of specific regional factors, such as the relatively wide extent of rural housing, the KRG Investment Law and the new KRG Housing Fund. The consultancy with the support of working group members will identify knowledge gaps and will undertake brief studies, based on available data, as needed under the themes key themes of the National Housing Policy. This will strengthen the evidence base for analysis of the KRG housing sector. Based on the analysis, a regionally specific addendum to the National Housing Policy will be prepared in consultation with working groups and presented to the KRG Housing Committee for comments and approval. UN-HABITAT will ensure coordination with NHC and MoCH in all processes.

Output 3: Key housing sector institutions have a framework for realigning roles and building capacity in line with recommendations of the National Housing Policy

3.1 Role of the existing NHC strengthened to exist as a high level independent inter-ministerial body to monitor and support the implementation of the National Housing Policy and membership widened to include Ministry of Finance, private sector and civil society members.

3.2 Training Needs Assessment of MoCH undertaken. MoCH will finance the training

3.3 Roles and responsibilities of MoCH and related institutions clarified in the light of the requirements of the National Housing Policy.

UN-HABITAT, building on its long-term engagement with the NHC, will engage directly with the committee in reviewing its role and membership in the light of the National Housing Policy. Based on lessons learnt in Phase II, the NHC role in monitoring and supporting the implementation of the Policy would benefit by widening its membership to include private sector, civil society and Ministry of Finance representatives, as key players in implementing the Policy. UN-HABITAT and UNDP, supported by an expert team, in consultation with senior officials within key housing institutions will undertake a new institutional mapping exercise. Based on this, and building on the Reform Plan for Housing Institutions developed in Phase II, the team will work with housing institutions to clarify new roles in order to better prepare housing institutions to implement the Policy in line with ongoing process of Private Sector Development and Public Sector Modernization in Iraq. In particular, UN-HABITAT and UNDP will support housing related institutions in undertaking a functional review of service delivery and designing the institutional establishment to reflect new ‘enabling’ roles.

Output 4: Government of Iraq (GoI) has improved knowledge of the potential to establish a commercial housing finance market in Iraq in line with Banking Sector Reform processes.

4.1 Assessment prepared of two major state-owned commercial banks and selected private commercial banks to ascertain their position to engage in Housing Finance.

4.2 Scoping study of the potential for the National Housing Fund to support commercial housing finance prepared.

4.3 Study on alternative Housing Finance mechanisms to support households that are not served through commercial housing finance.

UNDP, benefitting from its experience as lead UN agency supporting the Iraq Private sector Development Program, will consult with World Bank and IMF to clarify how the development of commercial housing finance in Iraq should be coordinated with wider reform processes in the Banking Sector. UNDP will recruit a specialist consultancy comprising of international and national experts to carry out assessments of commercial banks to ascertain their interest in engaging in the housing finance sector; their perceived bottlenecks in entering this market; identify key areas of government support that would be needed in order to engage; the level of capital that they would be prepared to invest and suggested modalities for developing housing finance products. In line with the Reform Plan for Housing Institutions, developed in Phase II, which outlines new roles for the National Housing Fund, UNDP with its expert team will also scope out the potential for the National Housing Fund to support commercial housing finance through detailed rounds of consultation, resulting in a clear action plan for the reform of the National Housing Fund. UN-HABITAT with local experts and assistance from the housing finance department at UN-HABITAT HQ will undertake a mapping of micro-finance institutions and their products, and engage key representatives from these MFIs in workshop discussions. This output will prepare for the development of clear housing finance strategies in line with the Policy which can be implemented in Phase III.

It is proposed that this project will be funded in part by ITF and in part by other donors which are currently being sought. It is proposed that ITF funding will be used to finance items 1.1: Evaluation of Strengthening the Capacity of the Housing Sector Phase II project; 2.1 and 2.2, relating to KRG housing sector study and a regional policy addendum; and 4.1 and 4.3, relating to scoping financial institutions relating to housing finance. Those proposed to be funded by other donors are 1.2, updating the Iraq Housing Market Survey; 3.1 and 3.2, which relate to establishing a framework for realigning the roles of housing institutions and 4.2 which relates to scoping the potential for the National Housing Fund to support commercial housing finance. All items are essentially “stand alone” components. While funding for non-ITF funded components is still being sought, it is important to note that the successful delivery of ITF funded components is not contingent on the delivery of non-ITF supported components.

5. Results Framework

Table 1: Results Framework and Indicators

Program Title:		Bridging for Strengthening the Capacity of the Housing Sector in Iraq Phase III						
NDS/ICI priority/ goal(s):		NDS Goal 7: Decent Housing for All ICI Benchmark 4.4.1.5.2: Delivering Basic Services: Improve access to housing by 15%						
UNCT Outcome		UNAS 2008-2010: Support to Provision of Basic Services and Poverty Reduction (medium to longer-term needs)... Adequate housing for the poorest and marginalized groups, as well as IDPs, returnees and refugees.						
Sector Outcome		Improved Housing Delivery System						
JP Outcome 1		Improved Housing Delivery System				NDS / ICI Priorities: NDS Goal 7; ICI Benchmark 4.4.1.5.2		
JP Outputs	UN Agency Specific Output	UN Agency	Partner	Indicators	Source of Data	Baseline Data	Indicator Target	Specific Indicators for ITF portion
JP Output 1: MoCH, National Habitat Committee, and other stakeholders have evidence base for improved planning and implementation of institutional and regulatory reforms within the housing sector	MoCH, NHC, and other stakeholders have evidence base for improved planning and implementation of institutional and regulatory reforms within the housing sector	UN-HABITAT	GoI MoCH, NHC	Independent Evaluation of Phase II completed	Independent Evaluation Report	No	Yes	Yes
				Iraq Housing Market Study updated	Updated Iraq Housing Market Study Report	No	Yes	
JP Output 2: KRG is supported to adapt the National Housing Policy to address regionally specific criteria.	KRG is supported to adapt the National Housing Policy to address regionally specific criteria.	UN-HABITAT	NHC, KRG MoCH, and related institutions in the housing sector	Analysis report of regionally specific housing issues not adequately addressed in the National Policy Prepared	Analysis document	No	Yes	Yes
				KRG Addendum to the National Housing Policy prepared	KRG Addendum to the National Housing Policy	No	Yes	Yes

<p>JP Output 3:</p> <p>Key housing sector institutions have a framework for realigning roles and developing capacities in line with recommendations of the New Housing Policy</p>	<p>Key housing sector institutions have a framework for realigning roles in line with recommendations of the New Housing Policy</p>	UN-HABITAT	GoI MoCH, NHC	ToR for National Habitat Committee reviewed	TOR	No	Yes	
		UN-HABITAT/UNDP	GoI MoCH, NHC,	Training Needs Assessment of MoCH	Capacity Development Plan undertaken	No	Yes	Yes
		UN-HABITAT/UNDP	GoI MoCH, NHC, MMPW, MPDC, MOF	Roles and responsibilities of key institutions in the housing sector drafted	Document outlining roles and responsibilities	No	Yes	
<p>JP Output 4:</p> <p>GoI has improved knowledge of the potential to establish a commercial housing finance market in Iraq in line with Banking Sector Reform processes.</p>	<p>GoI has improved knowledge of the potential to establish a commercial housing finance market in Iraq in line with Banking Sector Reform processes.</p>	UNDP	GoI MoCH, NHC, MoF	Assessment prepared of 5-8 commercial banks to ascertain their position to engage in Housing Finance	Assessment document	No	Yes	Yes
		UNDP	GoI MoCH, NHC, MoF	Scoping study of the potential for the National Housing Fund to support commercial housing finance prepared	Scoping study final report and action plan	No	Yes	

		UN-HABITAT	GoI MoCH, NHC	Study on alternative Housing Finance mechanisms to support households that are not served through commercial housing finance.	Scoping study final report and action plan	No	Yes	Yes
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6. Management and Coordination Arrangements

UN-HABITAT and UNDP will work together to ensure full coordination and integration of activities and in terms of interacting with key housing sector institutions: MoCH, MoF, MPDC and MMPW. UN-HABITAT will build on its relationship with MoCH and related ministries in the housing sector, forged through Phase I and II of the program. With the support of national and international experts, UN-HABITAT will support the functions of the technical working groups and other activities related to institutional capacity assessment, the formulation of capacity development plans and studies as required. UNDP with recruited national and international consultants will liaise with World Bank and IMF with regard to the wider processes of banking sector reform, ensuring assessments of banking institutions with regard to housing finance is coordinated with and benefits from these processes.

Project Staff: under the ITF funded components:

UN-HABITAT: Project Manager- international, based in Amman; Project Officer – national, based in Baghdad; national consultant based in Erbil, and will contract:

- National Project Evaluation Consultancy with at least two national experts to undertake the Phase II evaluation.
- International Consultancy, specializing in Housing Policy Development to undertake the analysis of KRG housing market and prepare a policy addendum; the consultancy team will include one international expert and two national experts
- International Consultancy, specializing in affordable housing finance to undertake a scoping study of the potential for micro finance institutions to support incremental housing loans for lower-income sectors; the consultancy will include one international expert and two national experts

UNDP: Project Manager- international, based in Amman, Project Officer – national, based in Baghdad, and will contract an international consultancy, specializing in Housing Finance; the consultancy team will include one international expert and two national experts.

The project shall be led by the UN-HABITAT Project Manager in coordination with the UNDP Project Manager. Given continuing limitations for deployment into Iraq, the project managers shall be primarily located in Amman, and shall meet regularly (at least monthly) to jointly agree on the program implementation. These managers will travel as needed to Baghdad and KRG and work closely with national experts based in Iraq and international technical expertise deployed for specific periods in Baghdad and KRG.

Line Ministry Counterparts

The NHC, with UN-HABITAT, will continue to act as a Project Steering Committee. The Steering Committee will continue to oversee the development of reform processes into Phase III, will establish technical working groups within key sectoral and departmental focal areas, appointing Ministry focal points in each, and will facilitate linkages to relevant Ministries as needed. Its members are:

- Senior Deputy Minister/ MoCH (Chair)
- Deputy Minister/ MPDC
- Ambassador/ Head of Engineering Dept/ MoFA/ Member

- Deputy Minister/ MMPW
- DG/ Design Department/ Amanat Baghdad
- Committee Secretary

As the NHC will oversee the process of housing sector reform, which requires high level support from the Ministry of Finance on land and finance issues, as well as representation of Private Sector and Civil Society, it is envisaged that 3 new positions will be created within the NHC, comprising of MoF, a representative of the Private Sector and a representative of Civil Society.

The Senior Deputy Minister of MoCH will support the development of reform processes within the MoCH with the support of UN-HABITAT.

The Director General of the National Housing Fund will support the development of reform processes within the National Housing Fund, with the support of UNDP.

SOT Cooperation

Cooperation will take place with ERDSOT and Governance SOT in respect of ongoing processes in Private Sector Development and Public Sector Modernization.

7. Feasibility, risk management and sustainability of results

Feasibility

This project aligns clearly with national Iraqi housing-related priorities mentioned in the NDS and the ICI. It also builds on the first two successfully implemented phases of the Strengthening the Capacity of the Housing Sector program, supported by UN-HABITAT, informal housing upgrading supported by UNDP and UN-HABITAT, on UN-HABITAT Iraq Program’s experience in related initiatives in urban planning and urban governance, and UNDP’s experience in public sector modernisation and private sector development. It also builds on well formed relationships with GOI counterparts. The series of studies, evaluations and functional realignment proposed under this program can all be conducted using existing data, information, and expertise, and with minimal external cost and difficulty.

Risk management

The below table lists the various risk factors associated with the proposed program and the associated strategies by which to potentially manage and mitigate them:

Risk Factors	Risk Management Strategy
Political and Conflict factors	
Escalation of conflict and deterioration of security in target governorates, delaying work in these areas	Limit travel time to focus on research aspects of program; provide additional security during inter-office or inter-Ministry travel.
Ongoing uncertainty about future roles of housing related institutions builds tensions and creates uncooperative environment	Advocacy by program staff to educate institutions on implications for future job security and the impact of the program

Policy Factors	
MoCH opposes suggested roles and responsibility changes	MoCH has already indicated its willingness to participate in the restructuring and realignment processes. The process is participatory, and based on experience, inevitable differences of opinion are resolved through careful consideration
Lack of inter-ministerial coherence. Technical working relationships between and across levels, remain unclear.	The National Habitat Committee has existed since 1978. This high level inter-ministerial committee will support coherence between ministries related to housing
Systems and Skill Factors	
Resistance to change and consultative processes	Continued advocacy by program staff that participation in the studies and assessments to be conducted will lead to mutually beneficial outcomes for needy Iraqis
Operational Factors	
Assessments and studies are over-elaborate and are not actionable by Program Phase III designers.	Program staff works in concert with Phase III designers to ensure that findings from the Bridging phase's evaluations and assessments can appropriately inform the design of Phase III.

Exit Strategy and Sustainability

The project is a bridging mechanism leading to the implementation of the third phase of the Strengthening the Capacity of the Housing Sector Program. All aspects of the proposed bridging phase are therefore designed to provide the foundations for sustainability of the overall program as well as a decentralised housing delivery mechanism in Iraq:

- The approach builds on the successes of Phases I and II. It is derived from strong evidence base through the systematic study and analysis of the housing sector in Phase I, a widely consultative approach in interpreting the analysis into the development of the housing policy in Phase II, and on the principle that GoI takes the lead in housing sector reform, and UN provides technical advice and direction.
- All phases of the overall program focus on building the capacity of a cadre of MoCH and GoI representatives to more effectively support the provision of housing by other bodies in response to Iraqi needs. These staff will help ensure that the ethos of decentralisation and enabling approaches remains in focus in their respective ministries and agencies.
- The Bridging Phase will support the sustainability of the program in Phase III through contributing to the evidence base for planning Phase III, adapting the policy to increase its relevance to KRG context, working closely with institutions to realign institutional roles to better fit sector reform processes and establishing an evidence based for developing commercial housing finance which will be taken further in Phase III.

8. Monitoring, Evaluation, and Reporting

Monitoring and Evaluation

The monitoring, evaluation and reporting for the program will be undertaken as per UN-HABITAT's MoU with the UNDG ITF Administrative Agent and with the MoCH, as well as the standard requirements indicated within UN-HABITAT's standard policies and procedures.

UN-HABITAT will implement a monitoring and evaluation process within the parameters of its activities, as described below. In addition to that, there will be periodic meetings between UN-HABITAT, UNDP and NHC in order to discuss progress and ongoing issues. The focus of these meetings will be to:

- Track implementation of activities
- Identify risks and provide contingency action
- Ensure that technical support is provided as necessary
- Provide a financial update
- Develop the quarterly fiche

UN-HABITAT has standard policies and procedures related to monitoring and evaluation, as well as the terms and conditions in regards to the UNDG Iraq Trust Fund. In addition to this, UN-HABITAT will assess progress and monitor results against the Results Framework Matrix provided above and the verifiable indicators of the approved project document.

UN-HABITAT has systems in place for project monitoring and quality control. Periodic monitoring missions will be undertaken from the UN-HABITAT HQ to review the project management including financial management and control system. The key tasks of tendering will be carried out from UN-HABITAT's Amman office, while quality control and progress monitoring will be carried out with the local authorities to ensure consistency.

Quality control at the project sites will be ensured through regular supervision by UN-HABITAT personnel as well as MoCH and NHC representatives. Ministry staff will be involved in every step/process of project implementation. UN-HABITAT and UNDP international/national staff will periodically oversee project activities and obtain regular feedback and recommend adjustments as may be necessary during the course of the project. Evaluation of the activities will be carried out on a regular basis through participatory feedback processes, and will be used for strengthening the ongoing projects as well as aid future improvements.

A detailed Monitoring and Evaluation plan will be developed together with the key stakeholders, during the inception stage of the project.

Reporting:

Reporting will be in accordance with UNDG ITF rules and regulations in addition to UN-HABITAT's rules and regulations. Accordingly, all financial reports, annual narrative progress reports, quarterly fiches, and project completion report will be prepared and submitted to the MDTF office.

**9: Work Plan for Strengthening the Capacity of the Housing Sector in Iraq Bridging for Phase III
Period Covered by the Work Plan July 2010-Oct 2011**

UN Organization-specific targets	Major Activities	Time Frame (by activity)					Implementing Partner	TOTAL PLANNED BUDGET (by output)	ITF BUDGET
		Q 1	Q 2	Q 3	Q 4	Q 5			
UN-HABITAT									
MoCH, National Habitat Committee, and other stakeholders have evidence base for improved planning and implementation of institutional and regulatory reforms within the housing sector	1.1 Independent evaluation of Strengthening the Housing Sector Phase II project is undertaken		X				NHC plus MoF, civil society and private sector representatives in addition working group members from MoCH, MMPW, MPDC	\$40,000 (UN-HABITAT)	\$40,000 (UN-HABITAT)
	1.2 Iraq Housing Market Study originally prepared in 2007 updated to reflect current housing situation			X	X	X		\$200,000 (UN-HABITAT)	
UN-HABITAT									
KRG is supported to adapt the National Housing Policy to address regionally specific criteria	2.1 An analysis prepared of key factors specific to KRG that warrant an addendum to the National Housing Policy	X	X	X			KRG-MoCH, MoMT, MoP, KRG Board of Investment	\$160,000 (UN-HABITAT)	\$160,000 (UN-HABITAT)
	2.2 Regionally specific addendum to the National Housing Policy prepared			X	X	X	KRG-MoCH, MoMT, MoP, KRG Board of Investment	\$100,000 (UN-HABITAT)	\$100,000 (UN-HABITAT)
UN-HABITAT/UNDP									
Key housing sector institutions have framework for realigning roles and developing capacities in line with emerging sectoral needs and recommendations of the New Housing Policy	3.1 Role of the existing National Habitat Committee strengthened to exist as a high level independent inter-ministerial body to monitor and support the implementation of the Housing Policy and to include Ministry of Finance, private sector and civil society members.			X			Existing NHC plus MoF, civil society and private sector representatives	\$50,000 (UN-HABITAT)	
	3.2 Training Needs Assessment of						MoCH	\$50,000	\$50,000

	MoCH prepared							(UN-HABITAT)	(UN-HABITAT)
	3.3 Roles and responsibilities of MoCH and related institutions clarified in accordance with the requirements of the National Housing Policy			X	X	X	NHC plus MoF, MoCH, MMPW, MPDC	\$185,000 (UN-HABITAT)	
								\$165,000 (UNDP)	
UNDP/UN-HABITAT									
GoI has improved knowledge of the potential to establish a commercial housing finance market in Iraq in line with Banking Sector Reform processes.	4.1 Assessment prepared of two major state-owned commercial banks and selected private commercial banks to ascertain their position to engage in Housing Finance	X	X	X	X		NHC, MoF, Rafidian Bank, Al Rasheed Bank, selected private commercial banks, World Bank, IMF	\$285,000 (UNDP)	\$285,000 (UNDP)
	4.2 Scoping study of the potential for the National Housing Fund to support commercial housing finance			X	X	X	NHC, MoCH, NHF	\$150,000 (UNDP)	
	4.3 Study on alternative Housing Finance mechanisms to support households that are not served through commercial housing finance.	X	X	X	X		NHC, MoCH, micro-finance institutions	\$115,000 (UNHABITAT)	\$115,000 (UNHABITAT)
							TOTAL UN-HABITAT	\$900,000	\$465,000
							TOTAL UNDP	\$600,000	\$285,000
							TOTAL Planned Budget	\$1,500,000	\$750,000

* The Total Planned Budget by UN Organization should include both program cost and indirect support cost

Budgets

CONSOLIDATED PROGRAM BUDGET

PROGRAM BUDGET		ESTIMATED UTILIZATION OF RESOURCES (US\$)	
CATEGORY	AMOUNT (US\$)	2010	2011
1. Supplies, commodities, equipment and transport	10,000	3,500	6,500
2. Personnel (staff, consultants and travel)	227,730	78,000	149,730
3. Training of counterparts	0	0	0
4. Contracts	437,567	158,870	278,697
5. Other direct costs	30,585	10,000	20,585
Total Program Costs	705,882	250,370	455,512
6. Indirect Support Costs	44,118	15,648	28,470
TOTAL	750,000	266,018	483,982

PROGRAM BUDGET UN-HABITAT

PROGRAM BUDGET		ESTIMATED UTILIZATION OF RESOURCES (US\$)	
CATEGORY	AMOUNT (US\$)	2010	2011
1. Supplies, commodities, equipment and transport	6,000	2,000	4,000
2. Personnel (staff, consultants and travel)	144,300	50,000	94,300
3. Training of counterparts	0	0	0
4. Contracts	268,697	100,000	168,697
5. Other direct costs	18,650	6,000	12,650
Total Program Costs	437,647	158,000	279,647
6. Indirect Support Costs	27,353	10,000	17,353
TOTAL	465,000	168,000	297,000

Budget Narrative

CATEGORY	NARRATIVE			
1. Supplies, commodities, equipment and transport	Office supplies as needed			
2. Personnel (staff, consultants and travel)		Unit cost	Number of units	amount
	National project personnel	3,390	10	\$33,900
	International project personnel	15,000	5	\$75,000
	National Consultants	2,100	10	\$21,000
	Travel	7,200	2	\$14,400
4. Contracts	1.1 Consultancy in relation to evaluation Ph 2			\$30,000
	2.1 Consultancy in relation to KRG housing analysis and Policy Addendum			\$120,000
	3.2 Consultancy in relation to training needs assessment MoCH			\$38,697
	4.3 Study on alternative Housing Finance mechanisms to support households that are not served through commercial housing finance.			\$80,000
5. Other direct costs	Miscellaneous and security = \$18,650			
6. Indirect Support Costs	Agency head office costs (6.25%) = \$27,353			

PROGRAM BUDGET- UNDP

PROGRAM BUDGET		ESTIMATED UTILIZATION OF RESOURCES (US\$)	
CATEGORY	AMOUNT (US\$)	2010	2011
1. Supplies, commodities, equipment and transport	4,000	1,500	2,500
2. Personnel (staff, consultants and travel)	83,430	28,000	55,430
3. Training of counterparts	0	0	0
4. Contracts	168,870	58,870	110,000
5. Other direct costs	11,935	4,000	7,935
Total Program Costs	268,235	92,370	175,865
6. Indirect Support Costs	16,765	5,773	10,992
TOTAL	285,000	98,143	186,857

Budget Narrative

CATEGORY	NARRATIVE			
1. Supplies, commodities, equipment and transport	Office supplies as needed			
2. Personnel (staff, consultants and travel)		Unit cost	Number of units	amount
	National project personnel	3,390	7	23,730
	International project personnel	15,000	3.5	52,500
	Travel	7,200	1	7,200
4. Contracts	4.1 Consultancy in relation to assessments of commercial banks to ascertain their position to engage in housing finance			168,870
5. Other direct costs	Miscellaneous and security = \$11,935			
6. Indirect Support Costs	Agency head office costs (6.25%) = \$16,765			

Annex A: Agency Project Status Profile

Each participating organisation must complete a Profile of all its ongoing ITF-funded projects/programs within the Sector in Iraq.

UN HABITAT

Sl. #	Project ID #	Project Title	Total Budget (US\$)	Implementation Rate (% complete)	Commitments (% as of 31 March 2009)	Disbursements (% as of 31 March 2010)	Remarks
1	E4-16	Strengthening Capacity of Housing Sector Ph 2	2,385,917	92%	88%	56%	
2	E4-18a	Improving the Housing Delivery System in Erbil	1,645,547	30%	35%	22%	
3	F8-06	Improving Access for IDPs and Returnees to Acceptable shelter Solutions	5,150,304	12%	14%	9%	Delays on allocation of land for housing construction
Totals			33,722,197	82%	83%	79%	

UNDP

Sl. #	Program ID #	Program Title	Total Budget (US\$)	Implementation Rate (% complete)	Commitments (% as of 31 Dec 2009)	Disbursements (% as of 31 Dec 2009)	Remarks
1.	E4-18b	Improving the Housing Delivery System in Erbil	1,341,568	15%	12%	11%	Majority of funds is for energy efficient housing construction – this awaits approval of neighborhood master plan currently being reviewed by the Governorate